UNITED
NATIONS

A

General Assembly

Distr.
GENERAL

A/C.5/52/25
2 December 1997

ORIGINAL: ENGLISH

Fifty-second session
Agenda item 116

PROPOSED PROGRAMME BUDGET FOR THE BIENNIUM 1998-1999

Administrative arrangements for the International Trade Centre UNCTAD/WTO

Report of the Secretary-General

1. The Secretary-General, under section 11B, International Trade Centre UNCTAD/WTO, of the proposed programme budget for the biennium 1998-1999,[1] informed the General Assembly of the developments in the International Trade Centre (ITC) programme budget resulting from the decision taken by the General Council of the World Trade Organization (WTO) on 3 April 1995.[2] That decision would affect the administrative and budgetary arrangements established for ITC on the basis of the 1967 accord between the General Agreement on Tariffs and Trade (GATT) and the United Nations, the latter acting through the United Nations Conference on Trade and Development (UNCTAD) in operating the Centre. The Secretary-General has proposed revised arrangements for the review and approval of the programme budget of ITC by the General Assembly.[3] He has also proposed to maintain provisionally for the biennium 1998-1999 the appropriation for financing the United Nations share of the programme budget of ITC at its 1996-1997 level, approved by the General Assembly in resolution 51/222 A of 18 December 1996, until such time as the proposed programme budget of ITC for 1998 and 1999 is reviewed by the General Assembly.

2. The present report provides a historical overview of ITC. It also outlines in detail the proposals for revised administrative and budgetary arrangements for review, approval, administration and reporting on the implementation of the programme budget of ITC.

3. The International Trade Centre was established at the request of developing countries by a decision of the Contracting Parties to GATT on 19 March 1964. The Centre came into operation in May 1964. From 1968, ITC was jointly operated by GATT and UNCTAD in equal partnership, with a view to integrating the resources and activities of both bodies in export promotion for the benefit of the developing countries. That joint operation was approved by the General

Assembly in resolution 2297 (XXII) of 12 December 1967 and by the Contracting Parties to GATT. The sponsoring organizations, GATT and UNCTAD, provided overall direction to ITC through the UNCTAD/GATT Advisory Group, membership of which was open to the Contracting Parties to GATT and Member States of the United Nations. The United Nations and GATT contributed equally to financing the regular budget of ITC, which was supplemented by project funds from the United Nations Development Programme and by voluntary contributions from Member States. It was agreed between GATT and the United Nations at that time that GATT should continue to deal with administrative and financial matters, such as personnel actions, payments and maintenance of accounts, and that all relevant GATT financial and staff regulations and rules should apply. The expenditure of voluntary contributions would also be accounted for by GATT, and ITC accounts would be audited by the GATT external auditors.

4. In view of the rapid expansion of the activities of ITC, the Director-General of GATT and the Secretary-General of UNCTAD in 1972 agreed that changes were required in the administrative and financial arrangements for ITC. The legal status of ITC vis-à-vis the United Nations was reviewed in 1973 and 1974 and new administrative and financial arrangements[4] were approved by the Contracting Parties to GATT on 19 November 1974 and by the General Assembly in a decision adopted at its 2325th meeting, on 18 December 1974.

5. The 1974 agreement on ITC provided, inter alia, for the following:

(a) The Centre would apply the Staff Regulations and Staff Rules and Financial Regulations and Rules of the United Nations and would make maximum use of the support services of the United Nations Office at Geneva for reasons of economy and efficiency. Its accounts would be certified by the United Nations Controller, audited by the External Auditors of the United Nations and reported to the General Assembly and the GATT Council;

(b) The Centre would continue to exercise the delegated authority to receive voluntary contributions and approve payments from its trust funds;

(c) The regular staff members of ITC, although limited to service with ITC, would have the same rights as staff members of the United Nations Secretariat.

6. For some 20 years, GATT has relied upon the General Assembly's scrutiny of and decisions on the ITC budget estimates and its budget performance reports, and accepted its share of the ITC budget and expenditure on the basis of the decisions by the Assembly. Over that period, GATT has periodically experienced difficulties in its review and approval of the ITC budget, owing to the unsynchronized budget cycles of the two organizations and differences in the budgetary process and methodology used, including the application of different exchange rates and different statistical data on inflation.

7. Upon the creation of WTO, its General Council, on 3 April 1995, approved the revised budgetary arrangements for ITC which included, inter alia, the following:

(a) The control function of WTO on the ITC budgetary procedures would be restored;

(b) The ITC budget would be subject to the same preparation and reporting procedures as the WTO budget;

(c) The ITC budget would cover a calendar year and would be presented in Swiss francs;

(d) The ITC budget would be formulated by the ITC secretariat using exchange rates and inflation factors to be decided upon jointly by the secretariats of ITC and WTO, in consultation with the United Nations.

By the same decision, the General Council of WTO mandated its secretariat to negotiate the implementation of the above-mentioned budgetary arrangements with the United Nations Secretariat.

8. On 29 September 1995, the Secretary-General of the United Nations and the Director-General of WTO, in an exchange of letters on the relationship between the two organizations,[5] agreed, inter alia, to recommend to the responsible intergovernmental organs that the present arrangements governing the status of ITC as a joint body be confirmed and renewed with WTO, subject to revised budgetary arrangements as called for by the General Council of WTO. The recommendation of the Executive Heads was noted by the Economic and Social Council in its decision 1995/322 of 12 December 1995.

9. Pursuant to that agreement, a series of consultations has been undertaken by the United Nations Secretariat, ITC and the secretariat of WTO on the modalities for the implementation of the 1974 agreement on the administrative arrangements for ITC. Some consultations on the issue with the secretariats of the Advisory Committee on Administrative and Budgetary Questions and the Board of Auditors have also taken place. In the course of those consultations, the understanding of the Secretariat, namely, that the 1974 agreement between GATT and the United Nations which established the rights and responsibilities of the governing bodies of both organizations vis-à-vis ITC continues to be legally in force, has been conveyed to the WTO secretariat. It is the understanding of the United Nations Secretariat that the revisions of budgetary arrangements called for by the General Council of WTO could be implemented through a series of administrative and technical measures without affecting the policy provisions of the 1974 agreement.

10. On the above understanding, the following arrangements governing the preparation, review and approval of the ITC budget are proposed:

(a) To satisfy the needs of both governing bodies, the ITC budget format and the process of its review and approval by the General Assembly should be adapted within the framework of the Financial Regulations and Rules of the United Nations, the Regulations and Rules Governing Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and the Methods of Evaluation, and relevant General Assembly resolutions on the budgetary process;

(b) The programme of work of ITC would continue to be based on the United Nations medium-term plan for the period 1998-2001, as approved by the General Assembly in resolution 51/219 of 18 December 1996. It would also be based on the WTO programme of technical cooperation (currently included in the three-year plan for 1997-1999);

(c) The United Nations Secretariat would continue to provide technical and administrative support to ITC in the implementation of its budget, on a reimbursable basis. The ITC accounts would be administered by the United Nations, and the ITC financial statements would continue to be certified and reported to the General Assembly and the General Council of WTO by the Controller. The Centre's activities would be subject to internal audit and oversight by the Office of Internal Oversight Services. The related findings would be reported by the Secretary-General to both governing bodies;

(d) The accounts would be audited by the External Auditors of the United Nations and the findings therefrom would be reported by the Board of Auditors to the General Assembly and the General Council of WTO.

11. The ITC budget would be prepared on an annual basis. The budget for the first year of the biennium would also contain a projection of the requirements for the second year so that the General Assembly can decide on the United Nations share of that budget for the United Nations biennial budgetary cycle. Given that most of the expenditure of the Centre is incurred in Swiss francs, the budget would be formulated and presented to the General Assembly for approval in that currency, thus obviating the need to budget for currency fluctuations. To enable the General Assembly to decide on the level of the appropriation needed to finance the United Nations share of the approved ITC budget, that share would be recosted in United States dollars when the United Nations proposed programme budget is recosted towards the end of the session of the General Assembly and at the time of the first performance report on the programme budget of the United Nations, using the prevailing rate of exchange between the United States dollar and the Swiss franc. The accounts of ITC would be maintained in both United States dollars and Swiss francs, the latter being the basic currency. The accounts would be certified and reported to the External Auditors in both currencies.

12. The ITC budget would be structured in such a way as to satisfy the requirements of the United Nations budgetary process established by the General Assembly in resolution 41/213 of 19 December 1986 and other relevant Assembly resolutions. The structure may be seen in the proposed programme budget of ITC for the year 1998, which has been submitted to the General Assembly at its current session.[6] The suggested timetable for the review and approval of the proposed programme budget of ITC and related performance reports by both the General Assembly and the General Council of WTO is contained in the annex to the present report.

13. Should the General Assembly agree with the proposed approach, it may wish to take a note of the present report and to invite the General Council of WTO to accept the proposed arrangements and timetable for the review and approval of the proposed programme budget of ITC and related budget performance reports.

Notes

[1] Official Records of the General Assembly, Fifty-second Session, Supplement No. 6 (A/52/6/Rev.1), vol. I.

[2] Ibid., para. 11B.8.

[3] Ibid., paras. 11B.9 and 11B.10.

[4] A/C.5/1533 and A/C.5/1604.

[5] E/1995/125.

[6] Official Records of the General Assembly, Fifty-second Session, Supplement No. 6, corrigendum (A/52/6/Rev.1/Corr.1).

Annex

Timetable for the review and approval of the proposed programme budget of the International Trade Centre and related budget performance reports by the General Assembly and the General Council of the World Trade Organization

	United Nations	World Trade Organization
I. YEAR PRECEDING THE UNITED NATIONS FINANCIAL PERIOD		
A. The International Trade Centre (ITC) submits the outline of its budget for the first year of the United Nations biennium, including projections for the second year, for the determination of the United Nations share of ITC costs in the proposed programme budget of the United Nations	March	-
B. The Centre submits detailed proposals on its programme budget for the first year of the biennium, including projections for the second year, to the secretariats of the United Nations and the World Trade Organization (WTO)	April	April
C. The secretariats submit the proposed programme budget of ITC to:		
(a) The General Assembly in fascicle form in the context of the proposed programme budget of the United Nations;	May	
(b) Relevant bodies of WTO		September
D. The proposed programme of work of ITC is reviewed by the Committee for Programme and Coordination	June-July	-
E. The proposed programme budget of ITC is reviewed by the Committee on Budget, Finance and Administration of WTO. The recommendations of the Committee to the General Council of WTO are transmitted to the United Nations	-	September-October
F. The proposed programme budget of ITC is reviewed by the Advisory Committee on Administrative and Budgetary Questions (ACABQ). The recommendations of ACABQ to the General Assembly are transmitted to WTO	October-November	-
G. The proposed programme budget of ITC is reviewed and adopted by the General Assembly and the General Council of WTO	November-December	November

	United Nations	World Trade Organization
II. FIRST YEAR OF THE BIENNIUM		
A. The Centre submits detailed proposals on its programme budget for the second year of the biennium to the secretariats of the United Nations and WTO	April	April
B. The secretariats of the United Nations and WTO submit the proposed programme budget of ITC for the second year of the biennium to the General Assembly and the relevant bodies of WTO	May	September
C. The Centre submits a performance report on the programme budget for the first year of the biennium to the secretariats of the United Nations and WTO	September	September
D. The proposed programme budget of ITC for the second year of the biennium and the performance report on the programme budget for the first year are reviewed by the Committee on Budget, Finance and Administration of WTO. The recommendations of the Committee to the General Council of WTO are transmitted to the United Nations	-	September-October
E. The proposed programme budget of ITC for the second year of the biennium and the performance report on the programme budget for the first year are reviewed by ACABQ. The recommendations of ACABQ to the General Assembly are transmitted to WTO	October-November	-
F. The proposed programme budget of ITC for the second year of the biennium and the performance report on the programme budget for the first year are reviewed by the General Council of WTO	-	November
G. The proposed programme budget of ITC for the second year of the biennium and the performance report on the programme budget for the first year are reviewed by the General Assembly in the context of its review of the first performance report on the programme budget of the United Nations[a]	November-December	-

[a] The performance report on the programme budget of ITC for the second year of the biennium would be reviewed by the General Assembly in the context of its review of the second performance report on the programme budget of the United Nations.